# Power and Institutional Change

## in

# Post-Communist Eastern Europe

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# 10. Corporate Identities and the Continuity of Power in an International Joint Venture in Hungary[1]

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## Introduction

The incorporation of new economic enterprises derived from privatised state companies in Eastern Europe has received a great deal of attention, both scholarly and popular, in and outside of the region. Western advocates of economic reform frequently prefer to see the resulting enterprises as entirely new commercial institutions. However, this neglect of the past too often obscures the realities of the present. An important avenue of approach for social scientists lies in the investigation of the 'corporate restructuring' which characteristically follows privatisation at the local level of operation. Can the ensuing dynamics be said to express any specific continuities in the arrangement of social and power relations within a given firm or its division of labour? How do local histories of corporate identification intersect with structures of authority?

This paper focuses on an analysis of collective relations within the division of labour in a leading 'East-West' international joint venture (IJV) in Hungary: the Krebb Smith Company.[2] It takes an historical approach to the ethnographic material, specifically seeking to highlight the strength of collective identity in the shifting landscape of hierarchy within a given workshop. The picture which emerges after analysis demonstrates the remarkably consistent and exacting sense of hierarchical alignment between the workers and supervisors of the workshop. This alignment is directly founded on a bifurcated sense of corporate (i.e. corporation) identity which is linked to the two founding companies of the state socialist predecessor to the IJV itself.

The specific examination of the nexus between history, corporate identity and the dynamics of power at the shopfloor level will be illustrated through one of the most basic structures of authority in the Hungarian workplace: the 'deputy' (*helyettes*) system. In examination of this phenomenon, I will pay special attention to the integration of the formal and informal hierarchy in this setting, and how the two are connected

through the medium of social identification. The following discussion is not concerned with delineating the variety of 'invisible' powers in the workplace based on social networks and personal relations, nor with those more explicit powers founded on technical expertise and specialised dependence.[3] These are considered peripheral to the interests at hand. Instead, this review will explore the social context to the ability to make and enforce decisions within the organisation regarding routine professional (workplace) activities.[4] Consequently, I will focus on the construction and re-configuration of sets of power relations where power is consensual to some degree, but nonetheless entrenched in acknowledged structures of prescribed, formal authority.

## Krebb Smith Co.

The Krebb Smith Company or *KSC*, was established in 1989 as a joint venture between a western European group of companies and an Hungarian heavy engineering enterprise (which itself possessed a complex corporate history incorporating two prominent 'parent' companies). KSC has since retained the specialised production profile of the latter Budapest-based firm to this day.

The foreign partner company contributed much-needed working capital, some technology, and management expertise in the form of a number of high-level managers recruited from abroad. The Hungarian partner (which emerged from the deal as a holding company after the transfer of its assets) nonetheless served as the foundation of the joint venture. KSC inherited its existing offices and production facilities, and the (non-executive) labour force was exclusively drawn from its ranks. These employees were enthused with the prospect of foreign investment which, they believed, would instantly provide them with the long-awaited, capitalist panacea of high wages, advanced technology and a modern(ised) workplace 'where everything works' (*ahol minden működik*). As István Galló, a lathe turner, later put it:

'We thought that the [foreigners] would create a cultured (kulturált) workplace where we could all work together.'

When qualifying this statement, Galló explained to me that his comment referred to improved working conditions and better labour relations *within* the framework of a stable labour force. He noted that neither he nor his Hungarian colleagues were (psychologically) prepared for the massive employee redundancies which were to follow. Indeed, such pos-

itively received organisational changes as did occur were completely offset by the shock of selective job retention. Those employees not automatically rehired to KSC were either pensioned off or made redundant. In following years, when the IJV expanded its labour force to accommodate new sales orders, the majority of the 'new' employees to the enterprise came from this reserve group of professionally qualified individuals. On the one hand, such recruitment guaranteed technical competence, product knowledge and ease of assimilation into the workplace. On the other hand, it ensured familiarity with a range of localised workplace traditions – including those related to corporate identity.

Of immediate concern to the KSC leadership was a programme of corporate 'restructuring' which involved a substantial transformation of the traditional division of labour and authority as established in the original Hungarian company in the postwar era (and before). This staffing and administrative initiative, which lasted some one and a half years, was entirely planned and directed by the foreign managers.

## Restructuring & Deputies

In a previous discussion (Czeglédy 1995) I pointed out that the establishment of KSC involved radical changes in power relations at all levels of the organisation. These changes can be directly related to the IJV's founding, contractual document and specific corporate initiatives instituted by the foreign managers themselves. The most prominent of these newcomers were the members of the two-man executive team who quickly centralised power in their own hands through a series of administrative changes, particularly those governing procedures related to budgetary allocation and capital expenditure. In time, they were joined by a third executive manager – again recruited from abroad.

The executives immediately began to 'downsize' the firm in order to eliminate overstaffing and cut overhead costs; eventually the labour force was reduced to a third of its original size. Simultaneously, they initiated a process of administrative reorganisation meant to 'delayer' the levels of management/supervision. This delayering – a term which represents the dismantling of middle levels of managerial office – extended to all areas of the organisation. It included the official eradication of the second-in-command, literally 'under-manager' (*alvezető*), positions which existed throughout the hierarchical ranks. The *alvezető* positions were a formally recognised office, permanent and separate within the

division of labour. They were the most formal part of a wider 'deputy' (*helyettes*) system of authority prevalent throughout industry and civil administration in Hungary (and Eastern Europe).

Under state socialism, just as each organisational unit was headed by its own manager, each manager possessed his/her own *helyettes*. The deputy generally acted in an intermediary capacity *vis-à-vis* subordinates and held a largely situational authority in the absence of the manager. In this sense, the deputy embodied a designated supervisory role actualised by circumstance and separate from any more permanent *capacité établie*. As a result, deputies derived status from their superiors in addition to their stipulated organisational roles. Witz & Savage refer to this sort of dynamic as 'status contingency' (1992:16). In the case of senior managers, junior managers filled the deputy post. With respect to junior managers, senior employees performed the role. Among employees of a non-supervisory capacity, such deputation continued on an informal basis, internal to units within the division of labour. This extension of the deputy mechanism was largely based on seniority, a core principle of both traditional Hungarian and Soviet notions of authority. It established what might be termed in colloquial English an extremely stable 'pecking order'.

An important advantage of the deputy system as practised under state socialism was its ability to confer a measure of professional prestige within the workplace through (sometimes) very slight degrees of hierarchical differentiation. At the same time, deputation reinforced a commonly understood line of regular, professional succession which afforded the employee a sense of psychological security. One's path along the professional hierarchy could be easily predicted - provided one conformed to the dictates of the regime.

In the process of abolishing the *alvezető* (and other intermediate) ranks in the hierarchy, rationalising personnel, and generally seeking to create a much more compact organisation, the foreign executives called into question the career paths of the overwhelming majority of KSC employees. In professional terms, this undermined two major tenets of the traditional labour relations doctrine fostered under state socialism: job security and career stability. While doing so, such initiatives did little to alter other, more resilient and informal, systems of local structure. In the following section, this investigation will take a detour to examine the corporate identities at KSC (before returning to the subject of hierarchy).

## Corporate Identities in the Workplace

What seems to be uniform from a distance, may be found to be more heterogeneous on closer examination. Before exploring hierarchical relations in the given workshop, the ethnographic setting for the second half of this examination, some historical background as to the corporate 'progenitors' of the IJV – specifically the local enterprises involved – will provide a necessary context.

When KSC was established, the former employees of the Krebb-National state enterprise did not immediately identify themselves as 'Krebb Smithers' or even begin to use any such term. Instead, they continued to identify and refer to themselves – not entirely out of the earshot of the foreign executives – as 'former Krebb-Nationals'. This phrasing reflected a sentimental, psychological association with the Krebb-National industrial conglomerate from which the Hungarian partner company to the IJV was spun off in the 1980s.

Upon closer scrutiny of such corporate identification, I discovered that within the association set of Krebb-Nationals, employees further divided themselves into two major groups, 'Krebbers' or 'Nationals' depending upon which manufacturing division of the conglomerate they had originally worked in. The alignment of these divisions was, to a considerable extent, parallel to the separation between the operations of the Krebb Co. and the National Co. These two companies comprised the original corporate entities which had been amalgamated after postwar nationalisation to produce the larger Krebb-National conglomerate.

Even those employees who been hired after the union of the Krebb Co. and the National Co. invoked the notion of workplace duality on a regular basis. To borrow more than just a phrasing from kinship theory, such initially unaffiliated employees had been 'adopted' into one of the two camps of corporate identity. Both of these groups traced the genealogy of their affiliated corporation as far back as the 19th century. According to my sources, such adoption continued for over two decades after the merger. It was reinforced by the maintenance of substantial role duplication in the division of labour at the Krebb-National conglomerate – which preserved a number of administrative boundaries between the old Krebb and National operations.

This sort of highly personal, affiliatory relationship falls within the basic definition of Social Identity in the classical sense; what Tajfel (1972:31) sees as "...the individual's knowledge that he belongs to cer-

tain social groups together with some emotional and value significa...
to him of group membership.' This membership may play an import...
role within organisational politics. Corporate identification manif...
itself at KSC in a variety of forms, some of which are similar to th...
Héthy (1988) describes in his case study of the merger of two Hunga...
construction companies. At the enterprise studied by Héthy in the e...
1970s, the main conflict was a bureaucratic power struggle over appo...
ments to senior positions at the new company. Such contention al...
entered into organisational politics at the Krebb-National conglome...
over the years, but less so at KSC for reasons which will become cl...
later in this discussion.

The dissension between Krebbers and Nationals to this day con...
ures the hazy fault lines of friendship, social networks and the excha...
of personal and professional (task-oriented) favours in the workpl...
Even mocking office humour is not out of place, as one self-identif...
National discovered after being ribbed by a Krebber:

> Gelli Köves always questioned me if I had my *fatáska* (wooden)
> lunchbox) with me whenever we met up! And I did not understand
> [his remark]! Later, I found out from asking around that in the old
> days the Nationals – frequently coming into work by train because
> more of them were commuters – had these wood lunch boxes which
> doubled for seats [in the unreserved section of the train] if there was
> no room left to sit!

This brief statement alludes to a number of complex issues related to th...
separate and contrasting, corporate histories of the original Krebb a...
National companies, and the continuing role of collective identity...
social differentiation. For example, it illustrates the way in whi...
employees have traditionally separated themselves via patterns of re...
dence linked to the differing traditions of recruitment at the Krebb a...
National companies. The separation is paralleled by a number of in...
locking debates over the social status of corporate ownership, prod...
quality, manufacturing systems and gender imagery, as well as dep...
ating rural/urban stereotypes which paint Krebbers as self-impre...
Budapesters and Nationals as *parasztok* (peasants) living in the Hun...
ian *vidék* (countryside). Whatever the substance to such allegations (...
there is some), the social relationships of contemporary Krebb Sm...
employees differ much more with respect to their function in the di...
sion of labour and their hierarchical standing than their corporate iden...
fication. There is little indication that corporate affiliation const...

easily separated paths of behaviour in or outside of the workplace – a
conclusion which highlights the limitations of deterministic notions of
cohesive 'corporate culture' (e.g. Deal & Kennedy 1982; Handy 1977,
1987; Williams et al 1989) developed in the management studies litera-
ture.

Differences of opinion on general issues of workplace debate more
clearly illustrate the rifts which have emerged between employees over
time than speculation over the course of social behaviour. For instance,
there is a tendency for Krebbers to be more vocally supportive of privati-
sation than their National counterparts. This attitude can be linked to a
collective memory of the time when the Krebb Co – as a *private enter-
prise* – was at the international forefront of its industry. The Nationals,
who relate to a solely public tradition of ownership, do not share in such
historicised optimism and are less willing to reflect on the beneficial
possibilities of privatisation.

Such differences not only demonstrate the strength of local corporate
identity, they also highlight the influence of social memory as a config-
uring factor in the thinking of contemporary employees. In spite of
vague executive hopes of quickly establishing a new and separate KSC
corporate identity at the company (in line with the notion of an interna-
tional joint venture run on strictly Western terms), it is obvious that the
majority of KSC employees have preferred to interpret their daily work-
ing lives in the context of a wider historical perspective which places pri-
ority on the past as much as the present.

## Corporate Identity and Hierarchy in a Workshop

The oppositions which have developed between Krebbers and Nationals
over time frequently intersect with hierarchy relations as framed by cor-
porate identity. The following section explores this conjunction with ref-
erence to the changing formal hierarchy and the informal ladder of
authority in one of the KSC workshops.

The two teams of Mr Tivador Kalapos's Assembly Workshop are
located in Building 'C', one of the largest production spaces for the IJV.
The men are proud of the physical nature of their work and the expert
precision which it requires. Strangers to the group of 14 assembly men
come away from meeting them with the impression of a sense of close
solidarity. Like other employees concerned with job security, the assem-
bly men instantly reply to questions on the topic of internal differences

with words to the effect: 'None. We are a team.' Further probing generally elicits the standard explanation that 'This is team-oriented work' (*Ez csoportos munka*). Insiders, including fellow colleagues from neighbouring workshops are, however, aware of subtle divisions. These include, for example, the changing distribution of power within this group. Such alteration is in reference to the relationship between the Assembly Workshop employees, their directly supervising manager and his corporate identity.

The three official positions of hierarchy in the Assembly Workshop were (at the time of the establishment of KSC) held in the following manner:

1. László Karmentö (work manager)- 'National'
2. Tivador Kalapos (work team leader)- 'Krebber'
3. Sándor Fehér (deputy work team leader)- 'National'

After corporate restructuring at the IJV which included both promotions and demotions this order changed. László Karmentö was promoted to the position of 'workshop foreman' (*üzem vezetó*), co-ordinating all five separate workshops in Building C. In this capacity he immediately became a middle-ranking manager within the Production Department of KSC as well as a chief liaison between the shopfloor and the senior production administration. This role largely removed him from direct and constant circulation in the Assembly Workshop and bureaucratically severed the relationship of direct managerial influence. Quite logically, Mr. Tivador Kalapos, his deputy, took his place as the centre of authority for the Assembly Workshop.

The new local hierarchy of designated managers – now 'flattened' through delayering and therefore minus Mr. Fehér – officially became:

1. Tivador Kalapos (work leader)- 'Krebber'
2. Ferenc Fényes (work team leader)- 'Krebber'

The more complex ladder of authority in the Assembly Workshop, formed by addition of the internal and informal deputy system, shifted even more dramatically. The precision which this adjustment involves is representative of the exacting nature of informal social relations in the workplace. If one includes this comprehensive authority structure within the group, a much more extensive transformation emerged after restructuring.[6] From (the following employees in the top eight positions):

| | |
|---|---|
| 1. László Karmentö (workshop manager) | - 'National' |
| 2. Tivador Kalapos (work team leader) | - 'Krebber' |
| 1. Sándor Fehér (deputy work team leader) | - 'National' |
| 4. Mihály Veres | - 'National' |
| 5. Gáspár Nagy | - 'National' |
| 6. Ferenc Fényes | - 'Krebber' |
| 7. Ervin Krémér | - 'National' |
| 8. Zsigmond Teller | - 'National' |

One arrives at:

| | |
|---|---|
| 1. Tivador Kalapos (work leader manager) | - 'Krebber' |
| 2. Ferenc Fényes (work team leader) | - 'Krebber' |
| 3. | - 'Krebber' |
| 4. | - 'Krebber' |
| 5. Sándor Fehér | - 'National' |
| 6. Mihály Veres | - 'National' |
| 7. | - 'Krebber' |
| 8. | - 'Krebber' |
| 9. Gáspár Nagy | - 'National' |

As is evident, the distribution of status is realigned to the new order of corporate identity set at the top of the Assembly Workshop. From a National-dominated authority ladder with six Nationals in the eight highest places, the structure switches. It numerically inverses to six Krebbers once Kalapos (as a Krebber) takes charge of the Workshop. The hierarchical distance between him (Kalapos) and Fényes shortens to an adjacent order at the top of the revised hierarchy *without* a change in their relative positions. Likewise, the order of informal hierarchy between the senior Nationals (Fehér, Veres, Nagy) remains the same.

The specificity of the (above) transformation cannot solely be traced to corporate identity. While it is clear that corporate identity was a determining factor in the process of hierarchical realignment, it must also be noted that the employees of the Assembly Workshop agreed on hierarchical standings related to more practical criteria as well: technical expertise and the ability to co-ordinate teamwork in the absence of higher authority. The use of these criteria is evident with reference to two employees in particular. Ferenc Fényes possessed a high position in the Assembly Workshop even when the hierarchy was under the control of the Nationals. This was largely due to his acknowledged leadership skills and popular social standing on the shopfloor. Both of these aptitudes meet Hare's two content categories for group social interaction in

the workplace, that directed at solving either 'socio-emotional' problems or 'task' problems (1966:89). Similarly, Fehér (respected for his international expertise and pedagogical skills) maintained the highest position among the Nationals after the Assembly Workshop fell into Krebber hands.

To discuss corporate identities as an important factor in the workplace is not to say that *all* of the KSC employees consider themselves first and foremost either 'Krebbers' or 'Nationals' – or that they do so in every context. Many employees hardly think about the matter any more. These loyalties are a part of 'the past' (a múlt), they say. A few of them go so far as to claim that this division no longer plays a part in the life of the workplace. One of them is Balázs Völgyézi from the Assembly Workshop:

> There was a change in the conflict [between Krebbers and Nationals] through the tremendous [pace of] work [in the 1960s and'70s]', he told me. 'Plus the reorganisation of various work teams, like the [National] assembly team [placed over] to the other side [in 1987]. Now there is no opposition really with the postwar generation at the Factory.

Völgyézi's statement is worth considering – not least because it contradicts my own interpretation of corporate identification in the workplace. How can one explain his view? Perhaps the best answer is found in the observation that Völgyézi is a 'Krebber' (by his own admission) in a company hierarchy dominated by Krebbers. Given this circumstance, it is no wonder that Krebbers tend to underplay the identity division while their National counterparts pursue it as an issue which motivates a host of corporate decisions and events (with *negative consequences*). Although this is not the place to elaborate the argument, this line of thinking does suggest a distinct connection between the corporate distribution of power and the way in which employees approach the interpretation of workplace events – for Krebbers manifestly dominate the official Krebb Smith hierarchy at all levels. They, it is clear, can afford the luxury of being less concerned with corporate identity as a polarising aspect of workplace life.

Nevertheless, some employees of long standing at Krebb Smith emphasise the idea of belonging to a 'new company' (új vállalat) and, more specifically, a 'joint venture' (vegyes vállalat). This is, however, a relatively recent phenomenon. Many of them, when asked to explain their conceptual relationship to the workplace, often revert to employing

the old corporate identities. If pressed, they admit that their social relations tend to fall within 'endogenous' circles of Krebb (or National) friendship. This is especially the case among the shopfloor employees at KSC.

Within the office departments where Krebbers and Nationals have interacted the most because of (historic) changes in the division of labour there is considerably less identification with the original corporate entities. It is also in these departments that a majority of labour turnover has attracted employees entirely new to both KSC and its corporate predecessors. Not surprisingly, such 'new blood' (in the words of one of the foreign executives) has added a novel dimension to workplace relations. New employees like Kristûf Dobos, an engineer recently hired straight out of Budapest's prestigious Technical University, have felt free to disregard the play of corporate identity and, in the process, relegate its importance to a (state socialist) era now ended. Unfortunately, many other recent employees similarly find themselves disadvantaged in building and maintaining their personal network of professional allies in the workplace.

## Corporate Identity as Personal Resource

What is especially interesting to consider is the longevity of corporate identity, the way in which the Krebb and National businesses still maintain a vitality long after the relevant institutional entities have vanished. This is maybe better understood by reflecting on the role of history in the present workplace as it relates to issues of social identity.

Although the corporate identities of Krebbers and Nationals remain an acknowledged source of potential conflict in the workplace[7], I contend that they also serve to provide an important foundation for self-esteem within a broader environment of organisational powerlessness and national economic uncertainty.[8] Such identities are a source of personal confidence, asserting selfhood in tandem with others or in opposition to others (such as the foreign executives). In these terms, this sort of collective identity can be valued as a precious, inalienable resource which preserves a sense of community. This is a similar point to that of Landé, who reminds us that 'Factional rivalry creates both conflict and a sense of community.' In the course of such rivalry, he suggests, 'community-wide interests, and the legitimacy of community-wide offices, are

affirmed, and the society is held more firmly together' (Landé 1977:xxxii cf. Gluckman 1943:45-47).

What is clear, after weaving together the threads of the above discussion, is that the structure of authority at the IJV involves a number of simultaneous relationships anchored in diverse power relations. While the 'visible hand' (Chandler 1977) of hierarchical structure may seek to construct explicit administrative forms, it is evident that hierarchical structures outside of the orbit of organisational mandate do exist. As the case of the KSC Assembly Workshop illustrates, employees can and do utilise areas of social relationship concealed from persons outside of this.[9] This utilisation, which is also an effective way of reinforcing social dependencies, is overlooked by the foreign managers – at least it is disregarded in their conversations. However, this neglect may be intentional, connected to a conscious effort to promote a specifically impartial managerial style of decision-making at KSC.

Nonetheless, the Krebb and National identities do continue to possess a unique currency within the IJV. They do so by not only acting as a framework for the preservation of strong social ties, but also by presenting a badge of exclusivity and shared social history unavailable to newcomers to the organisation. Not without significance for the analysis of international management strategies, the set of newcomers includes the recent foreign players in the corporate arena. In such terms, corporate identity is undoubtedly a form of 'cultural capital' – to use Bourdieu's expression (1977). It can be used (and abused) as a source of organisational power within the division of labour; it can be employed as a rallying point in organisational politics. The important question which remains for future consideration is, then, to what extent such capital will continue to be influential at KSC in the face of incremental labour turnover?

## Conclusion

In summary, concurrent with changes in the structure of authority and the division of labour at the Krebb Smith Company, brought about by foreign leadership, continuities well below the levels of formal administrative scrutiny continue to exert their influence on the distribution of power. Particularly in contexts removed from the nadir of the corporate hierarchy and the circulation of more recent personnel, corporate identification has maintained its influence through structures such as the dep

uty system and realms of social exchange in and outside of the workplace. It remains to be seen how these several corporate identities will continue to evolve in the face of increasing changes in the corporate and wider economic environment.

## Notes

1. This material was originally presented at the conference on 'The (Dis)continuities of Power in the Economic and Political Institutions in Eastern Europe', held 1-2 December, 1995 at the Centre Marc Bloch, Berlin. The author acknowledges the insights of those in attendance, in addition to comments by Ernest Gellner, Justin Greene-Roesel and Marie Howes on separate versions of the paper. Pseudonyms are used throughout the text.

2. Part of a larger project on organizations in Hungary initiated in 1989, research at Krebb Smith Co. was conducted July 1991 through to September 1992, with biannual follow-up visits since.

3. Paton (1983) differentiates between four types of 'visible power': namely, that related to position, expertise, dependence, and (inter)personal skills.

4. Cohen's definition of power emphasises the 'ability to influence the behaviour of others and/or gain influence over the control of valued actions' (1970:31).

5. For example, there existed two separate electrical workshops at Krebb-National for some time, one centred on a core of Krebber employees and the other on their National counterparts. These two workshops were fully consolidated only in the 1980s.

6. I have been able to cross-reference this order once, and have some doubt whether or not the position of Mr. FehÈr may be higher up in the second (transformed) ladder of authority than my informants indicated.

7. Hogg and Abrams (1988:15) note that the study of social identity has been heavily influenced by an emphasis on conflict-oriented approaches to behaviour in the social sciences.

8. Turner (1982:30) goes so far as to submit that positive self-esteem is as important for the individual as personal identity.

9. With significant relevance to the use of corporate identities in the workplace as I have used them is the parallel literature on manifestations of ethnicity in the workplace, where it is characterised as involving both the organization of experience and the organization of society (Wallman 1979:3).